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Tale of Intrigue

How an Italian Ex-Spy Who Also Helped U.S. Landed in Prison Here

Case of Francesco Pazienza Involves Vatican Officials, Arafat and Italy's Premier

Topic in Reagan-Craxi Talks?

By JONATHAN KWITNY

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NEW YORK—In his orange prison jump suit, gaunt from gastroenteritis, which he blames on prison food, 39-year-old Francesco Pazienza doesn't seem much of a threat to anyone.

Nor has he been accused of any crime in the U.S. Of the alleged crimes for which

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the government of Italy vigorously seeks his extradition, the only one being considered in the U.S. extradition proceedings is a relatively picayune \$250,000 fraud on the failed Vatican-connected Banco Ambrosiano, whose late chairman Mr. Pazienza served as an outside consultant.

But as a free man, Mr. Pazienza rolled like a loose cannon on the deck of Italian-American diplomacy. His story is the strange and curious tale of a highly placed political operator and spy, put out in the cold.

Few such prisoners since E. Howard Hunt, arrested in the Watergate affair a decade ago, have commanded so much official attention or caused so much official concern. Before his connection with Banco Ambrosiano, Mr. Pazienza was a top Italian intelligence agent. A U.S. Customs agent has testified in extradition proceedings that an "unidentified group of people," who he said might be Italian agents, want Mr. Pazienza dead. William French Smith, the outgoing U.S. attorney general, had a direct hand in ordering Mr. Pazienza's arrest.



Francesco Pazienza

He was arrested March 4, at a time when, by the government's own admission later in court, Mr. Pazienza was passing "highly valuable" information on terrorism and other matters to American agents.

The next day, March 5, Italian Prime Minister Bettino Craxi—who in earlier days had dropped by Mr. Pazienza's house in Rome to talk business—met with President Reagan in Washington. The main news from the meeting was that Mr. Craxi would publicly support President Reagan's "Star Wars" space-defense program, despite his misgivings about it.

Another Topic?

Did the two leaders also strike a deal to jail Mr. Pazienza and try to extradite him, as Mr. Pazienza's lawyers have suggested in court? Neither the White House nor the Justice Department will discuss any aspect of the Pazienza case. But while Messrs. Reagan and Craxi announced their accord in Washington, Assistant U.S. Attorney David W. Denton told a federal judge in New York that there was "a significant national interest in having Mr. Pazienza held."

Mr. Denton and the judge, Charles L. Brieant, then talked for a while off the record. Afterward, Mr. Denton declared that "Mr. Pazienza should not be released on any bail whatsoever. That is an extremely firmly held view within the highest levels of both governments." Mr. Denton said his instructions on dealing with the case came directly from Washington.

Judge Brieant acceded, and Mr. Pazienza has languished in the federal Metropolitan Correctional Center in New York ever since, mostly in solitary confinement but free on occasion to talk with reporters, whom he had always avoided in the past.

Feeling Betrayed

Now he has talked—feeling betrayed by two governments he says he has always helped, brooding in his 7-by-10-foot cell over the corporate jets, private yachts and multimillion-dollar deals that are gone from his life. In interviews that have created sensational headlines in Italy but that have gone unnoticed in the U.S., he has told tales of intrigue and secret dealings between Italian and American political figures and others. Among those he has named are Alexander Haig, the former secretary of state; Michael Ledeen, a newspaper and television commentator, think-tank consultant and sometime official of the State and Defense departments; Yasser Arafat of the Palestine Liberation Organization; Robert Armao, a longtime Rockefeller family aide who, among other things, helped shepherd the family and fortunes of the late shah of Iran after he had been deposed in 1979; and Archbishop Paul Marcinkus, who has run the Vatican's

world-wide past three

All the spokesmen Pazienza asserts, though, met him, what he learned by former Italian officials and by other evidence.

In one case in Rome, Mr. Pazienza has already been convicted of abusing his intelligence job in connection with the 1979 trip to Libya taken by Billy Carter, the brother of President Carter. Mr. Pazienza was found to have helped obtain details of the politically embarrassing trip and to pass them to Mr. Ledeen, during the U.S. presidential election campaign of 1980. Mr. Ledeen, who wasn't a defendant in the case, is a close associate of Mr. Haig, who was in line to become secretary of state under President Reagan.

Mr. Pazienza's career, like his stories, is a tangle of intrigue. Trained as a medical doctor, he spent the 1970s as a business consultant in France. Through strongly anti-Communist employers, he says, he met French and Italian intelligence agents, while also developing contacts in the Arab world and in Latin America. He became fluent in English, French, Spanish and Arabic. In 1979, Gen. Giuseppe Santovito, the head of SISMI (pronounced, perhaps fittingly, "seize me"), the Italian military-intelligence organization, hired him as a top aide.

He impressed his superiors and others with his wide range of discreet, high-level contacts and sources. Federico D'Amato, a top Italian security official who has been called "the J. Edgar Hoover of Italy," testified at a 1982 Italian parliamentary inquiry that Mr. Pazienza had close contacts with Mr. Arafat and with the Saudi Arabian royal family. Mr. D'Amato said he once met the Vatican ambassador to the United Nations and the editor of the Vatican newspaper in Mr. Pazienza's home.

"He had a semiofficial mission mediating between Arafat and the Vatican, and took several trips to Beirut," Mr. D'Amato said. "What I mean is," he said, "that these were not rumors about Pazienza's ability to do such services, but facts."

The End of a Career

Mr. Pazienza's career at SISMI came to an abrupt end in the spring of 1981. Italian police investigating the financial affairs of banker Michele Sindona stumbled onto records kept by a secret Masonic lodge known as P-2. They found a membership list of a thousand or so businessmen and other public figures, mostly of the political right. The conspirators allegedly were conducting a financially corrupt "government within the government" in Italy.

Although Mr. Pazienza's name wasn't on the list, the name of his patron, Gen.

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Santovito, was. Both lost their jobs. Popular outrage over the P-2 scandal brought down Italy's Christian Democratic government in 1981 and swept in Mr. Craxi's Socialist government.

With Gen. Pietro Musumeci, another washed-up SISMI official, Mr. Pazienza started a security consulting firm that was immediately employed by Banco Ambrosiano. Roberto Calvi, a prominent member of the P-2 Masonic lodge, ran the bank and soon made Mr. Pazienza a close personal aide. As part of his job, Mr. Pazienza helped manage the bank's lending to Italian political parties, including the Socialists. This brought him into contact with the Socialist leader, now the prime minister, Mr. Craxi.

Because of this contact, Mr. Pazienza's former girl friend, Marina De Laurentiis, niece of movie producer Dino De Laurentiis, made headlines in Italy a few weeks ago. At an *in absentia* trial of Mr. Pazienza for disclosing state secrets, she testified to a meeting between Messrs. Pazienza and Craxi at Mr. Pazienza's home.

The Vatican Connection

At the time, Banco Ambrosiano was already in trouble. Mr. Pazienza's main job was trying to raise cash for assets that had been taken as collateral for \$1.3 billion or so in bad loans. The loans had been made to mysterious Latin American companies that appear to have been mere shells.

In this connection, Mr. Pazienza makes one of the most striking of his assertions, although he offers little proof. The money lent to the Latin companies, he says, was intended for various overseas causes of the Vatican, which does appear to have owned the companies. Mr. Pazienza says that about a third of the money was stolen en route by a variety of middlemen, some of whom have already been charged with defrauding Ambrosiano; that another third went into shoring up the Vatican's control of Ambrosiano itself, mostly through stock purchases; and that a third actually went into covert political causes.

Among the causes: Poland's Solidarity; the Irish Republican Army (to seek the unification of Ireland), and various groups opposing revolutionary movements and opposing the "liberation theology" of nontraditional Catholics in Third World countries. The Vatican, through Archbishop Marcinkus, denies the assertions.

The Vatican has acknowledged that it owned an interest in Banco Ambrosiano. It has also conceded that it represented in certain documents that it owned the Latin American companies whose borrowing helped bring the bank down. The Vatican has said that it endorsed the documents to help Banco Ambrosiano get new financing; it owned stock in the bank and had a long relationship with it. The Vatican last year agreed in an out-of-court settlement with

liquidators to repay \$244 million of the money the bank lost in loans to the Latin American companies, though it still denied legal responsibility for the loans.

Troubles Over Loan

A smaller loan, in 1981, helped get Mr. Pazienza himself into trouble. Mr. Pazienza arranged the \$3 million loan to an Italian construction firm, Prato Verde S.p.A. Italian prosecutors and witnesses in the case against Mr. Pazienza say that Flavio Carboni, the chief executive of Prato Verde, used about \$2 million of the loan money to pay personal debts.

Most of the rest, they allege, was kicked back to Mr. Calvi, the chairman of Banco Ambrosiano, who used some of it to try to bribe a judge to fix a case in which Mr. Calvi had been accused of currency-exchange violations. (The judge was later acquitted of the charges of taking the money.)

Mr. Pazienza pocketed \$250,000 or more of the loan money, which he used to buy a yacht. He defends the payment as a legitimate commission for the loan, and for other deals he had agreed to negotiate for the bank.

As Mr. Pazienza sought to find buyers for Banco Ambrosiano's assets, he was introduced to Mr. Armao, who runs a New York public-relations firm. Mr. Armao describes Mr. Pazienza as "a very charming fellow, very bright." He says they even went on a vacation to Spain together.

Relocation to New York

But, like most others, Mr. Armao says he wasn't close to Mr. Pazienza. Mr. Armao says he did get interested in organizing a group of investors who would buy bank assets, or even the bank, and Mr. Pazienza introduced him to Mr. Calvi, the bank chairman. But nothing came of it.

Shortly afterward, in 1982, Mr. Calvi was found hanged (the official verdict was suicide, but that was widely doubted) and the full extent of the bank's troubles became clear.

Mr. Pazienza left Italy in 1982 and moved to New York, where he leased an office from Mr. Armao near Mr. Armao's office in Rockefeller Center. They were involved in separate business deals, Mr. Armao says, but they traveled together to Costa Rica, where Mr. Pazienza introduced him to the president and vice president.

Messrs. Armao and Pazienza then decided to organize a group of investors in an oil exploration, storage and barter business on the Seychelles Islands in the Indian Ocean. Last fall, however, contacts in the Seychelles government warned Mr. Pazienza that Italian agents intended to fly to the islands to arrest him—or, if Mr. Pazienza is correct, to kill him.

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In his absence, the new socialist government of Mr. Craxi had thrown the book at him. Besides the alleged \$250,000 bank fraud, he is charged with abusing his intelligence post (including his helping to cover up right-wing responsibility for a 1980 bombing of a Bologna train station that killed 80 people). He is also charged with leaking state secrets, extortion by violence, possession of cocaine and "criminal associations of a Mafia type."

So he fled the Seychelles as well. Two Italian pursuers who thought he had gone to Switzerland were later arrested there as illegal agents. But Mr. Pazienza had actually gone to Mexico.

U.S. agents, however, originally sought Mr. Pazienza on none of the Italian charges. Rather, Customs agents who found him in Mexico wanted his help in finding the many millions of dollars missing from Banco Ambrosiano. Last fall, Mr. Pazienza came to New York, spent a day being questioned by agents, and was asked to return later. Whatever the agents learned about the money, their highest praise came for information he gave them about a well-known Italian bomber, Sefano Delle Chiaie, and other fugitive terrorists.

Extradition Attempt

Eighteen months ago, Italy had tried to have Mr. Pazienza extradited on the same charges now pending against him. But the State Department rejected the request on the ground that "the documentation in general does not show sufficient proofs to establish a reasonable possibility that Pazienza might have committed the crimes for which he is indicted."

But in January of this year, some top U.S. law-enforcement officials, including Attorney General Smith and Federal Bureau of Investigation Chief William Webster, met with their counterparts in Italy to discuss cooperation in organized-crime cases. At a press conference, the Americans were surprised to be confronted with charges that they were sheltering Mr. Pazienza. "The Italians wanted Pazienza back," one official said, "and the press was clamoring for his return."

Later that month, Justice and Treasury department officials decided to order his arrest when Mr. Pazienza arrived for his next interview. In February, Italy reapplied for his extradition on the fraud charge in a manner designed to meet previous U.S. legal objections.

Court testimony in an extradition hearing shows that the order to arrest Mr. Pazienza greatly disturbed Thomas Galligan, a Customs agent who had interviewed him. Mr. Galligan testified that he even suggested to Mr. Pazienza's lawyer—former New York City Deputy Mayor Edward Morrison—that their next interview take place abroad. Mr. Galligan, however,

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didn't mention the arrest order. Unaware of it, Mr. Morrison decided to stick with plans to hold the meeting in New York. On March 4, Mr. Pazienza appeared and was arrested, even as he protested that his Mexican contacts might be able to help save the life of a kidnapped U.S. drug-enforcement agent. The agent was later murdered.

Mr. Pazienza and Mr. Morrison, who has also held several high political appointments in New York state, called the arrest a bald double-cross. They say the government had agreed not to arrest Mr. Pazienza in return for his cooperation. The government denies it. In any event, the issue is a main one before Judge Brieant in the extradition request. His opinion is expected any day.

Mr. Pazienza denies the long list of offenses Italy has indicted him on. Last week, an Italian court convicted him *in absentia* on several charges, including divulging state secrets, using SISMI aircraft and information for personal gain, and associating with criminals.

The indictment on which he was convicted reads, in part:

"With the illicit support of the SISMI and in collaboration with the well-known American 'Italianist' Michael Ledeen, Pazienza succeeded in extorting, also using fraudulent means, information—then published with great evidence in the international press—on the Libyan business of Billy Carter, the brother of the then-president of the United States."

Pazienza's Links to Mafia? Mainly in U.S. Jail, He Says

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—Although he is charged in Italy with associating with Mafia men, Francesco Pazienza says his only associations were ones he exploited as part of his former job as an Italian intelligence agent.

Until now, that is. Most of the five months he has spent in federal jail in New York have been in solitary confinement, where the only other human face he could see was that of the prisoner across the corridor. That happened to be Carmine "The Snake" Persico, who the New York Police Department says is boss of the New York crime family once run by Joseph Profaci and Joseph Colombo.

Mr. Pazienza and Mr. Persico have become friends. Mr. Pazienza says he was surprised and impressed by Mr. Persico's grasp of philosophy and history. He says, for example, that Mr. Persico can knowledgeably discuss the differences between such guerrilla groups as the Haganah and Irgun, which fought to establish Israel in 1948. "He is a cultivated man and has always treated me as a gentleman," Mr. Pazienza says.